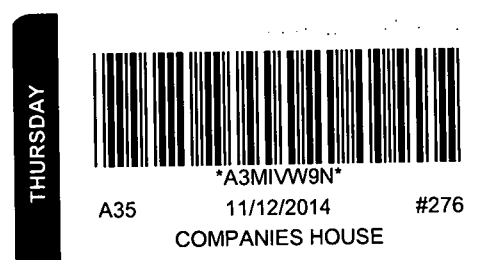


Tower Hamlets Homes Limited

Directors' report and financial
statements for the year
ended 31 March 2014

Limited Company By Guarantee

Registered number 06249790



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Company Information

Company registration number: 06249790

Registered office: Jack Dash House
2 Lawn House Close
London
E14 9YQ

Bankers: **Cooperative Bank Plc**
PO Box 101
Balloon Street
Manchester
M60 4EP

Solicitors: **Trowers and Hamlins LLP**
Sceptre Court
40 Tower Hill
London
EC3N 4DX

Auditors: **KPMG LLP**
15 Canada Square
Canary Wharf
London
E14 5GL

Board of directors:

Board Member	Type	Appointed	Resigned
Barry Simons (Chair)	Independent	10 Dec 12	12 Nov 13
Ann Lucas (Chair)	Independent	10 Dec 12	
Neil Litherland	Independent	6 Mar 13	12 Nov 13
Cllr Kabir Ahmed	Council	21 Dec 11	14 Aug 14
Cllr Alibor Choudhury	Council	21 Dec 11	
Cllr Gulam Robbani	Council	8 Apr 13	
Cllr Lutfu Begum	Council	8 Apr 13	4 July 14
Cllr Rania Khan	Council	21 Dec 11	8 Apr 13
Shamsul Hoque	Resident	28 Nov 12	
Margaret Cox	Resident	28 Nov 12	4 Sep 13
Claire Tuffin	Resident	6 Mar 13	

Company Secretary

Leslie Warren

Company Information (cont)

Strategic Management Team

The members of the Strategic Management Team who held office in the year are listed below with their current Directorate responsibilities.

Chief Executive	Gavin Cansfield
Director of Finance & Customer Services	Leslie Warren
Director of Investment Services	Jamie Carswell
Interim Director of Neighbourhood Services	Kevin Jones

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

Legal Status

The Company is a controlled company (by the London Borough of Tower Hamlets), limited by guarantee without any share capital. The Council undertakes, in the event of the Company being wound up, to contribute such amount as may be required for the payment of the debts and liabilities of the Company providing this amount does not exceed £1.

The Company was overseen by a Board of up to 10 members – three residents, four Council nominees and three independent members, who bring specialist skills and expertise to the Board. The composition of the Board reflects the range and mix of skills and experience required for the effective management of the Company.

The day to day running of the Company's business has been delegated by the Board to the Strategic Management Team.

Dividends

The company is limited by guarantee and does not have a share capital, or shareholders.

Directors and directors' interests

The directors, who held office during the period, are detailed on page 2. The company has no shares or shareholders.

Political and charitable contributions

The Company made no contributions to political or charitable organisations.

Employment of Disabled Persons

THH promotes equality of opportunity in its recruitment, selection, training and development policies and practice.

We welcome applications from applicants with disabilities and evaluate solely on ability to carry out the duties of the job, taking into account any reasonable adjustments required.

Communications Policy

The Company communicates all matters of financial or other interest to staff through its weekly electronic in-house newsletter, through team meetings or through other media as appropriate.

Payment of Creditors

The Company's policy is to pay creditors as they fall due. At the 31 March 2014, all creditors had been paid within the due dates.

Directors' declaration

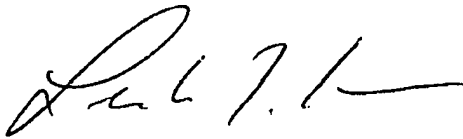
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report (cont)

Auditors

In accordance with section 489 of the Companies Act 2006 a resolution for the re-appointment of KPMG LLP as auditors to the Company is to be proposed at the forthcoming annual general meeting.

The Directors' Report was approved by the Board on 12 September 2014 and signed on its behalf by:



Leslie Warren

Company Secretary
Jack Dash House
2 Lawn House Close
London E14 9YQ

Strategic Report

Review of the business

The company's purpose or mission is to provide the best housing services in the borough of Tower Hamlets.

Principal activities

Tower Hamlets Homes Limited (THH) is incorporated as an Arms Length Management Organisation (ALMO) of the London Borough of Tower Hamlets. It commenced operations on the 7 July 2008 and it is responsible for managing the Council's housing stock.

The management fee which the Company receives for carrying out its delegated responsibilities is shown in the Company's Income & Expenditure Account for the year ended 31 March 2014 as income under the heading 'Turnover'. The Company is also reimbursed for costs relating to its pension scheme.

Principal risks & uncertainties

Risks and uncertainties to the Housing Revenue Account (HRA) flow through to THH because THH manages all housing stock of the Council and the finances of the HRA determine the management fee payable to THH.

In common with many housing organisations, welfare reform continues to impact our customer base and the business. Although the impacts on the business have not been as severe as originally predicted across the sector, the cumulative impact of welfare reform, future initiatives such as universal credit and broader austerity measures represents a significant risk to the company.

The increased discounts offered in respect of right to buy and the relaxation of eligibility criteria have resulted in an increase in right to buy enquiries and completions. The likely level of completions represents an uncertainty to the HRA Business Plan.

THH is a wholly owned subsidiary of the Council. Mayoral and Councillor Elections were held in the Borough in May 2014. As part of his election manifesto the newly elected Mayor pledged to hold a referendum on future of Tower Hamlets Homes. A timescale for this has not been announced. However, we are confident that residents will want to retain THH as an ALMO based on the sustained improvements in customer satisfaction achieved since THH went live.

Development & performance of the business

The medium term financial strategy and the annual revenue and capital budgets are based on a 30 Year HRA Business Plan which captures all inflows and outflows associated with existing stock and new supply within the HRA over a 30 year period.

The decent homes programme will continue next year into the fourth year of that programme.

We are also leading on the development of new Council housing units with partial funding provided by the Mayor of London.

Strategic Report (cont)

Financial and operational Key Performance Indicators

Organisational Priority	Performance Measures	Progress achieved in year 2013/2014
Create places to be proud of: Deliver the Decent Homes Programme	1,774 homes made decent	1,785 homes made decent
	45.37% homes non-decent	Result available Q1 14/15
	93.5 % repairs completed right first time	92.43% repairs completed right first time
	100% of homes with a valid gas certificate	99.90% of homes with a valid gas certificate
	80% of residents rate improvement and investment as 'good' or 'excellent'	56% of residents rate improvement and investment as 'good' or 'excellent'
	100% of programme spend vs budget profile	100% of programme spend vs budget profile
Create places to be proud of: Strengthen neighbourhood planning and delivery	84% of tenants rate repairs service as 'good' or 'excellent'	81.64% of tenants rate repairs service as 'good' or 'excellent'
	60% of residents satisfied with the outcome of their Anti-Social Behaviour complaint	49.76% of residents satisfied with the outcome of their Anti-Social Behaviour complaint
	70% of residents rate caretaking service as 'good' or 'excellent'	70% of residents rate caretaking service as 'good' or 'excellent'
Improve the quality of customer experience	70% issues resolved at first point of contact	77.30% of issues resolved at first point of contact
	60% of residents satisfied with the outcome of complaint	57.14% of residents satisfied with the outcome of complaint
	45% of leaseholders satisfied with the service overall (STAR Survey in September 2013)	52% of leaseholders satisfied with the service overall
	80% of tenants satisfied with the service overall (STAR Survey in 2014)	<i>Results to be measured in September 2014</i>
	46% of leaseholders satisfied with the service overall (tracker)	42% of leaseholders satisfied with the service overall (tracker)
	62% of tenants satisfied with the service overall (tracker)	64% of tenants satisfied with the service overall (tracker)
	75% of resident agree that 'THH does what it says it will'	75% of resident agree that 'THH does what it says it will'
Target our offer for older residents and those who need our help the most	60 under occupying households re-housed	63 under occupying households re-housed
	Average time to re-let empty homes equals 22 days	Average time to re-let empty homes equals 19.32 days
	50 illegally occupied homes recovered	32 illegally occupied homes recovered

Strategic Report (cont)

Organisational Priority	Performance Measures	Progress achieved in year 2013/2014
Reduce the cost of service delivery	Average cost per transaction equals £8.76	Average cost per transaction equals £8.10
	Average cost of management reduced to £25.99	Average cost of management £26.19 (to end of December 13)
	£13.3m billed service charges collected	£12.1m collected (v revised target of £12.1m)
	98% of rent collected as % of rent due	100.11% of rent collected
	75% of rent arrears owed is 7 weeks old or more	71.9% of arrears is 7 weeks old or more
	20% in year improvement work charge collected	26% in year improvement work charge collected (£561k)
	£2,700k historic improvement work charge collected	£2.29m collected (revised target of £1.76m)
Invest in staff	10% increase per team for staff who say they are 'proud to work for THH'	64% say they are 'happy' to work for THH, up from 61%
	50% of staff say 'poor performance is tackled'	43% say poor performance tackled
	100% MAP and development plan completed	98% mid-year MAP reviews completed

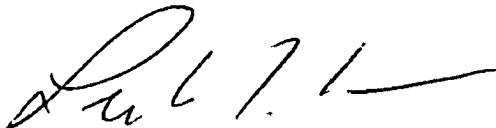
Year end position

These results are for the full year of operations ended 31 March 2014.

The overall position on the Profit & Loss Account is a surplus of £304,103 (compared with a surplus of £966,895 in 2012-13).

This surplus was in line with forecast, and the reduction in comparison with the previous year reflects the planned tightening of budgets for 2013-14.

The Strategic Report was approved by the Board on 12 September 2014 and signed on its behalf by:



Leslie Warren

Company Secretary
Jack Dash House
2 Lawn House Close
London E14 9YQ

Statement of Internal Control

The Board of Directors acknowledges its ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Company or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposal.

It is the Board of Directors' responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. The system of financial control includes the following key elements:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets. Within the Company's Financial Regulations & Standing Orders authority levels are specified for all authorised signatories and delegated authorities documented;
- experienced and suitably qualified staff to take responsibility for important business functions. Annual employee development review procedures have been established to maintain standards of performance;
- regular internal audit to undertake reviews on the effectiveness of internal controls;
- the establishment of written policies and procedures and a scheme of delegated authorities designed to ensure that proper accounting records are maintained;
- a risk management framework in which priority risks are reviewed by the Chief Executive and senior managers;
- forecasts and budgets are prepared which allow the Board of Directors and management to monitor the key business risks and financial objectives and progress towards financial plans set for the period and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Directors and officers of the Company;
- the Board of Directors reviews reports from management, from internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. The report by management includes a general view of the major risks facing the Company and the Risk Management department monitors these risks and provides countermeasures to the risks where necessary;
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

During the period management has received regular reports from the internal auditors covering the effectiveness of the systems of operational and financial controls. On behalf of the Board, management has reviewed the effectiveness of systems of internal financial control in existence for the year ended 31 March 2014. No weaknesses were found in the

internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements. The Board of Directors is satisfied that this remains the case up to the signing of these documents.

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Independent Auditor's Report to the Members of Tower Hamlets Homes Limited

We have audited the financial statements of Tower Hamlets Homes Ltd for the year ended 31 March 2014 set out on pages 15 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent Auditor's Report to the Members of Tower Hamlets Homes Limited (cont)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink, appearing to read 'H. Mears', written over a horizontal line.

Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

Date: 6 October 2014

Profit & Loss Account
For the year ended 31 March 2014

	Notes	2013-14 £	2012-13 £
Turnover (Management Fee)	2	30,782,420	30,621,000
less Cost of Sales		<u>(30,518,378)</u>	<u>(29,727,702)</u>
Operating Profit		<u>264,042</u>	<u>893,298</u>
Interest Receivable & Similar Income	6	50,076	91,996
Profit on Ordinary Activities Before Tax	3	<u>314,118</u>	<u>985,294</u>
Tax	7	(10,015)	(18,399)
Profit on Ordinary Activities After Tax		<u>304,103</u>	<u>966,895</u>
Retained Profit for the Financial Year		304,103	966,895

The notes on pages 19-31 form part of these statements.

Balance sheet
At 31 March 2014

	Notes	31 Mar 2014	31 Mar 2013
		£	£
Fixed Assets			
Tangible Assets	8	131,391	134,095
Current Assets			
Debtors	9	113,996	333,675
Cash at Bank and In Hand		<u>5,366,233</u>	<u>5,329,499</u>
		<u>5,480,229</u>	<u>5,663,174</u>
Current Liabilities			
Creditors: amounts due within one period	10	(1,705,882)	(2,077,634)
Provisions	11	<u>(232,000)</u>	<u>(350,000)</u>
		<u>(1,937,882)</u>	<u>(2,427,634)</u>
Net Current Assets		3,542,347	3,235,540
Net Assets ex Reimbursement Right Asset & Pension Liability		3,673,737	3,369,635
Reimbursement Right Asset	13	1,572,000	5,338,000
Pension Liability	13	<u>(1,572,000)</u>	<u>(5,338,000)</u>
Net Assets		<u>3,673,737</u>	<u>3,369,635</u>
Capital & reserves			
Income & Expenditure Account		<u>3,673,737</u>	<u>3,369,635</u>

The notes on pages 19-31 form part of these statements.

The financial statements were approved by the board on 12 September 2014 and were signed on its behalf by:



Ann Lucas
Chair
Jack Dash House
2 Lawn House Close
London E14 9YQ

Company No 06249790

Cash flow statement

For the year ended 31 March 2014

Reconciliation of operating profit to net cash flow from

operating activities

	2013-14	2012-13
	£	£
Operating Profit	264,042	893,298
Depreciation Charges	80,426	103,933
Decrease/(increase) in debtors	219,679	(130,720)
(Decrease)/increase in creditors	(381,767)	58,157
Increase/(decrease) in provisions	(118,000)	(323,000)
Losses on disposals	2,146	3,423
Net cash inflow from operating activities	<u>66,526</u>	<u>605,091</u>

Cash flow Statement

Cash Flow from operating activities	66,526	605,091
Returns on Investments and servicing of finance	50,076	91,996
Taxation	0	(18,399)
Capital expenditure and financial investment	<u>(79,868)</u>	<u>(30,693)</u>
Cash (outflow)/inflow before management of liquid resources and financing	<u>36,734</u>	<u>647,995</u>

Increase /(decrease) in cash in the period

36,734 647,995

Reconciliation of net cash flow to movement in net funds

Opening funds	5,329,499	4,681,504
Increase/(decrease) in cash in period	<u>36,734</u>	<u>647,995</u>
Closing funds	<u><u>5,366,233</u></u>	<u><u>5,329,499</u></u>

The notes on pages 19-31 form part of these statements.

Statement of recognised gains & losses
For the year ended 31 March 2014

	2013-14	2012-13
	£	£
Profit for period	304,103	966,895
Actuarial Gain/(Loss)	4,707,000	(3,950,000)
Related movement in reimbursement right asset	(4,707,000)	3,950,000
Total Gains and Losses	<u>304,103</u>	<u>966,895</u>

Reconciliation of movements in shareholders' funds
for the period ended 31 March 2014

	2013-14	2012-13
	£	£
Profit in Year	304,103	966,895
Other Gains/(Losses) in Year	-	-
Net Addition/(Reduction) to Shareholder Funds	<u>304,103</u>	<u>966,895</u>
 Opening Shareholder Funds	 <u>3,369,635</u>	 <u>2,402,740</u>
Closing Shareholder Funds	<u>3,673,737</u>	<u>3,369,635</u>

The notes on pages 19-31 form part of these statements.

Notes

(Forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Status of Company & Composition of the Board

The Company is limited by guarantee and does not have any share capital. The London Borough of Tower Hamlets Council, the ultimate parent organisation, undertakes in the event of the Company being wound up, to contribute such amount as may be required for the payment of the debts and liabilities of the Company providing this amount does not exceed one pound. After the satisfaction of all the debts and liabilities the remaining assets will be transferred to the Council's Housing Revenue Account (as defined in the 1989 Act).

A Board of non-executive directors provides strategic management of the Company and is intended to be comprised as follows:

- 4 Borough Council nominees;
- 3 appointed tenants and leaseholders;
- 3 Independent members appointed from the local community.

The composition of the Board reflects the range and mix of skills and experience required for the effective management of the Company. The Board is supported by a strategic management team which is responsible for the day to day running of the Company.

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2006, UK GAAP and under the historical cost accounting convention.

Tower Hamlets Homes Limited undertakes the management and maintenance of the housing stock of The London Borough of Tower Hamlets Council under a management agreement. Tower Hamlets Homes Limited is a wholly owned subsidiary of The London Borough of Tower Hamlets Council and in the event of Tower Hamlets Homes Limited winding up, all assets and liabilities will transfer to The London Borough of Tower Hamlets Council.

Turnover

Turnover represents the amounts derived from Management Fees in respect of the provision of goods and services to the London Borough of Tower Hamlets. It is stated net of value added tax.

In 2013-14, the Company received £32,434,420 in total, being £30,782,420 income and £1,652,000 towards pension contributions.

Notes - continued

Fixed assets and depreciation

Depreciation is provided to write off the cost, less the estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings & equipment	20% per annum
--------------------------------	---------------

Leases

Operating lease rentals are charged to the Income & Expenditure Account on a straight line basis over the period of the lease.

Post-retirement benefits

The company participates in the Local Government Pension Scheme (LGPS). The scheme is a defined benefit pension scheme based on final pensionable salary. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of recognised income and expenditure, actuarial gains and losses.

Pension reimbursement rights

The requirement of FRS17 is to show the surplus or deficit on the pension scheme as an asset or liability respectively on the balance sheet. It has been agreed with The London Borough of Tower Hamlets Council that where a deficit arises that they will provide an indemnity in respect of the pension obligations of the company. Accordingly where a deficit arises, an equivalent reimbursement right asset is recognised on the balance sheet to reflect the Council indemnity.

The recognition of part of the change in value of the reimbursement right asset within the statement of total recognised gains and losses (the STRGL) is a departure from the requirement of FRS 3 *Reporting financial performance* that gains and losses may be excluded from the profit and loss account and recognised instead in the STRGL only if they are specifically permitted or required to be taken directly to reserves. Since the change in value of the pension obligation to which the reimbursement right relates is required by FRS 17 to be recognised in part in the STRGL, in the opinion of the directors it would not give a true and fair view of the company's result for the year for the entire change in value of the reimbursement right asset to be recognised in the income and expenditure account. As a result, both the actuarial gain of £4,707,000 (2012-13: a loss of £3,950,000) and the related movement in reimbursement right asset have been recognised in the STRGL, rather than in the profit and loss account.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision is made, without discounting,

for all timing differences which have arisen but not reversed at the balance sheet date except as required by FRS19.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and bank deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

2. Analysis of turnover on ordinary activities before taxation

	2013-14	2012-13
	£	£
Management fee	32,434,420	32,215,000
Less pension contributions	(1,652,000)	(1,594,000)
Turnover	30,518,378	30,621,000

Turnover is made up exclusively of the management fee, the sole activity being management of the Council's housing stock.

Notes - continued

3. (Deficit)/Surplus on ordinary activities before taxation

	2013-14	2012-13
	£	£
(Deficit)/Surplus on Ordinary Activities before Taxation	314,118	985,294
Auditors' remuneration	25,000	35,000
Depreciation	80,426	103,933
Loss on disposal of fixed assets	2,146	3,423

4. Remuneration of directors

The Directors are defined as being members of Tower Hamlets Homes Limited Main Board. None of the Directors received any remuneration or taxable benefits, and none were members of the pension scheme.

5. Staff numbers and costs

The average number of full time equivalents employed by the Company during the period, analysed by service, was as follows:

	2013-14	2012-13
Neighbourhood Services	282	300
Investment Services	60	60
Customer Services	66	60
Support Services	40	46
Total	448	465

The aggregate payroll costs of these persons were as follows:

	2013-14	2012-13
	£(000)	£(000)
Wages & Salaries	14,294	14,859
Social security costs	1,214	1,272
Other pension costs	1,652	1,594
Total	17,160	17,725

The emoluments of the highest paid employee amounted to £121,200 (2012-13 - £120,000) excluding employer's pension contributions of £19,877 (2012-13 - £19,680).

The highest paid employee received emoluments 6 times that of the lowest paid employee on a full time equivalent basis.

Notes - continued

6. Other interest receivable and similar income

	2013-14	2012-13
	£	£
Receivable from bank interest	47,106	89,864
Interest on staff loans	2,970	2,132
FRS17: Net Interest on pension scheme assets/liabilities	38,000	291,000
FRS17: Related Movement on Reimbursement rights asset	(38,000)	(291,000)
	<u>50,076</u>	<u>91,996</u>

7. Taxation

A. Analysis of charge in period

	2013-14	2012-13
	£	£
UK Corporation Tax in the Period	10,015	18,399
Tax on (Deficit)/Surplus on ordinary activities	<u>10,015</u>	<u>18,399</u>

B. Current tax reconciliation

Factors affecting the tax charge for the current period

The tax assessed for the years differs from the standard rate of corporation tax. The differences are explained below.

	2013-14	2012-13
	£	£
Interest Received	50,076	91,996
Total current tax charge at 20%	<u>10,015</u>	<u>18,399</u>

Published guidance from HMRC states that transactions between an ALMO and a Council do not constitute trading and are therefore non-taxable. The Company is liable to tax on dealings with any third parties and any interest received; the rate and amount payable reflects this position.

The basis of this ruling is that the relationship between the ALMO and the Council lacks the necessary degree of commerciality to be trading for corporation tax purposes. Should the relationship between the bodies change, or should the ALMO diversify its activities, then this exemption may not be available.

Notes – continued

8. Tangible fixed assets

	Fixtures Fittings & Equipment £
At Cost 31 March 2013	530,696
Additions	79,868
Disposals	(37,248)
At Cost 31 March 2014	<u>573,316</u>
Accumulated Depreciation 31 March 2013	396,601
Disposals 2013-14	(35,102)
Depreciation 2013-14	80,426
Accumulated Depreciation 31 March 2014	<u>441,925</u>
NBV 31 March 2013	134,095
NBV 31 March 2014	131,391

9. Debtors

	2013-14 £	2012-13 £
Staff Loans	95,038	145,615
Intercompany (LBTH) Payroll Adjustment Due	0	99,843
Third Party Debtors	2,041	0
Prepayments	16,916	88,216
	<u>113,996</u>	<u>333,675</u>

10. Creditors: amounts falling due within year

	2013-14 £	2012-13 £
Third Party Creditors	792,107	1,104,020
Intercompany Creditor	495,190	762,699
Corporation Tax	10,015	18,399
VAT	408,570	192,516
	<u>1,705,882</u>	<u>2,077,634</u>

Notes – continued

11. Provisions for Liabilities and Charges

	Redundancy	Employee Litigation	Total
	£	£	£
At beginning of period	75,000	275,000	350,000
Utilised during the year	(75,000)	(32,336)	(107,336)
Reversed during the year	0	(242,664)	(242,664)
Charge for period	0	232,000	232,000
At end of period	0	232,000	232,000

Provisions have been made for the likelihood of employee litigation costs arising in the coming year.

12. Reserves

	£
At beginning of period	3,369,635
Retained Profit for the period	304,103
At end of period	3,673,737

Notes – continued

13. Pension Scheme

A. Introduction

The Company participates in the London Borough of Tower Hamlets Council Pension Fund. The pension cost charge for the period for current service costs amounted to £2,553,000 (2013: £1,880,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

The pension scheme provides benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary. The most recent valuation was at 31 March 2014.

The basis for calculating the pension liability has been changed between 2012-13 and 2013-14. The Company now recognises the entirety of its pension scheme rights and obligations on its own books, rather than only those rights and obligations that have arisen since the transfer of staff to the ALMO. Prior year comparators have therefore been adjusted accordingly.

However, where a pension scheme deficit arises, an equivalent reimbursement right asset is recognised on the balance sheet to reflect the Council indemnity. This reimbursement right asset is further explained above in Note 1.

B. FRS17 – Retirement Benefits

Under the requirements of FRS17 the Company is required to disclose further Information on the assets and liabilities of the scheme on a market value basis at the end of the accounting period.

The required information is set out below:

C. Fair Value of Employer Assets

	31-Mar-14	31-Mar-13
	£(000)	£(000)
Equities	50,963	40,362
Bonds	10,330	12,465
Property	6,887	5,936
Cash	689	594
Total	68,869	59,357

Notes – continued

D. Notes to the Balance Sheet

	31-Mar-14	31-Mar-13
	£(000)	£(000)
Fair Value of Employer Assets	68,869	59,357
Present Value of Funded Liabilities	(70,441)	(64,695)
Net Over/(Under) Funding	(1,572)	(5,338)
Present Value of Unfunded Liabilities	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Net Asset/(Liability)	(1,572)	(5,338)
Amount in the Balance Sheet - Asset		
Amount in the Balance Sheet - Liability	(1,572)	(5,338)
Net Asset/(Liability)	(1,572)	(5,338)

E. Notes to the Income Statement

	31-Mar-14	31-Mar-13
	£(000)	£(000)
Current Service Cost	2,553	1,880
Interest Cost	2,960	2,558
Expected Return on Employer Assets	(2,998)	(2,849)
Past Service Cost / (Gain)	0	95
Losses / (Gains) on Curtailments and Settlements	78	10
Total	2,593	1,694
Actual Return on Employer Assets	4,897	6,689

F. Notes to the STRGL

	31-Mar-14	31-Mar-13
	£(000)	£(000)
Actuarial Gains/(Losses) on Plan Assets	4,707	(3,950)
Actuarial Gain/(Loss) Recognised in the STRGL	4,707	(3,950)
Cumulative Actuarial Gain/(Loss) Recognised in STRGL	(1,757)	(6,464)

Notes – continued

G. Reconciliation of Defined Benefit Obligations

	31-Mar-14 £(000)	31-Mar-13 £(000)
Opening Defined Benefit Obligation	64,695	52,255
Current Service Cost	2,553	1,880
Interest Cost	2,960	2,558
Contributions by Members	661	641
Actuarial Losses / (Gains)	491	7,779
Past Service Costs / (Gains)	0	95
Losses / (Gains) on Curtailments	78	10
Estimated Benefits Paid	(997)	(523)
Closing Defined Benefit Obligation	70,441	64,695

H. Reconciliation of Fair Value of Employer Assets

	31-Mar-14 £(000)	31-Mar-13 £(000)
Opening Fair Value of Employer Assets	59,357	50,967
Expected Return on Assets	2,998	2,849
Contributions by Members	661	641
Contributions by the Employer	1,652	1,594
Actuarial Gains / (Losses)	5,198	3,829
Estimated Benefits Paid	(997)	(523)
Closing Fair Value of Employer Assets	68,869	59,357

I. Projected Pension Expense for the Period to 31 March 2015

	£(000)	% of Pay
Projected Service Cost	2,480	23.7%
Interest on Obligation	3,076	29.7%
Expected Return on Employer Assets	(4,185)	-39.9%
Past Service Cost	0	0.0%
Losses/(Gains) on Curtailments and Settlements	0	0.0%
Total	1,371	13.2%

Notes – continued

J. Financial Assumptions

	31-Mar-14	31-Mar-13
Pension Increase Rate	2.8%	2.8%
Salary Increase Rate	4.1%	5.1%
Expected Return on Assets	6.0%	5.0%
Discount Rate	4.3%	4.5%

K. Previous Periods

	31-Mar-12	31-Mar-11	31-Mar-10
	£(000)	£(000)	£(000)
Fair Value of Employee Assets	50,967	49,113	50,245
Present Value of Defined Benefit Obligations	(52,255)	(42,361)	(69,476)
Surplus/(Deficit)	(1,288)	6,752	(19,231)
Experienced Gains/(Losses) on Assets	(3,424)	(6,874)	9,622
Experienced Gains/(Losses) on Liabilities	(3,195)	20,816	0
Actuarial Gains/(Losses) on Plan Assets	(8,347)	21,675	(19,187)
Actuarial Gains/(Losses) on Plan Obligation			
Actuarial Gain/(Loss) Recognised in the STRGL	(8,347)	21,675	(19,187)
Cumulative Actuarial Gain/(Loss) Recognised in STRGL	(2,514)	5,833	(15,842)

14. Analysis of adjustments to cash flows

	2013-14	2012-13
Returns on investment & Servicing of Finance	£	£
Receivable from bank interest	47,106	89,864
Interest on staff loans	2,970	2,132
	<u>50,076</u>	<u>91,996</u>

Notes – continued

15. Analysis of movement of net funds

	2012-13	Cash flow	2013-14
	£	£	£
Cash in hand, at bank	5,329,499	36,734	5,366,233

16. Commitments

Lease Commitments	31 March 2014	31 March 2013
Within one year	0	0
Within two to five years	26,000	0
Over five years	135,000	26,000

The company holds two property leases, on offices at 542 Roman Road, E3, and at the Harford Centre, Harford Street, E1.

THH renewed the Roman Road lease in July 2013 for three years at a rent of £26,000 per year. THH signed a new ten year lease for the Harford Street office space in May 2013 at a rent of £135,000 per year.

17. Related party disclosures

Details as to the status of the Company and composition of the Board of Directors are given in Note 1.

The ultimate controlling party is The London Borough of Tower Hamlets.

The Company's main source of income is a management fee for the management of The London Borough of Tower Hamlets housing stock: this amounted to £32,434,420 (2012: £32,215,000), at the end of the financial period. Of this £1,652,000 relates to reimbursement of employer pension contributions (2012/13: £1,594,000)

There was a related party creditor balance of £495,190 at 31 March 2014 (£662,855 at 31 March 2013)

In the event of the Company being wound up, The London Borough of Tower Hamlets Council undertakes to contribute such amount as may be required for the payment of the debts and liabilities of the organisations providing this amount does not exceed one pound. The exception to this is the reimbursement rights asset relating to the pension liability which fully covers this. After the satisfaction of all debts and liabilities the remaining assets will be transferred to the Housing Revenue Account (as defined in the 1989 Act) of The London Borough of Tower Hamlets.

Notes – continued

18. Contingent Liability

The Company had no contingent liabilities as at 31 March 2014.

19. Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a wholly owned subsidiary of The London Borough of Tower Hamlets, although the Council has determined that the accounts of Tower Hamlets Homes Ltd are not sufficiently material to warrant consolidation into its own accounts.